NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND

Activity Plan
For the Period from
April 1, 2014 to March 31, 2017

BOARD OF TRUSTEES
NEWFOUNDLAND AND LABRADOR CONSOLIDATED SINKING FUNDS

NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND
NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION SINKING FUND

DEBT MANAGEMENT DIVISION
DEPARTMENT OF FINANCE
CONFEDERATION BUILDING
P.O. BOX 8700
ST. JOHN'S, NL
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June 13, 2014

Message from the Board

The Newfoundland and Labrador Government Sinking Fund administers the sinking funds established by the Province of Newfoundland and Labrador for the repayment of the Province's debenture debt.

Pursuant to the provisions of the *Transparency and Accountability Act*, the entity is required to develop a three-year Activity Plan. The Board of Trustees is accountable for the preparation of this Plan and the achievement of the Plan's objective. In the development of this plan, careful consideration was given to the Strategic Directions of Government, as communicated by the Minister of Finance. While the activity of the Board of Trustees generally supports responsibilities with respect to the stewardship of public money and management of funded debt, it was determined that the Strategic Directions are not directly applicable to its operations, at this time.

This plan provides an overview of the Newfoundland and Labrador Government Sinking Fund and identifies the key issue of the Board of Trustees during the fiscal periods covered in the Plan.

Donna Brewer

Donna Brewer, C.A.
Chair

1.0 Overview

The Newfoundland and Labrador Government Sinking Fund was created pursuant to the *Financial Administration Act* to consolidate and administer sinking funds established for the repayment of the Province's debenture debt. The Province has established sinking funds for most of its long term debenture issues and the annual contributions to these sinking funds are invested under the direction of the Board of Trustees of the Newfoundland and Labrador Consolidated Sinking Funds, appointed by the Lieutenant Governor in Council to manage and control the day to day operation of the sinking funds. The Board of Trustees consists of the incumbents in five senior public service positions with the Department of Finance as follows:

Donna Brewer	Deputy Minister
Peter Au	Assistant Deputy Minister Taxation and Fiscal Policy
Ann Marie Miller	Comptroller General
Paul Myrden	Director, Debt Management
Linda Howell	Manager of Debt Servicing & Financial Risk

The Newfoundland and Labrador Government Sinking Fund operates with a March 31 fiscal year end and the results of its activities are fully consolidated in the Province's annual financial statements.

2.0 Mandate

The mandate of the Board of Trustees is to manage and control the operational activities of the Newfoundland and Labrador Government Sinking Fund and the sinking funds of certain Crown corporations where the Province has guaranteed the related debt (i.e. Newfoundland and Labrador Municipal Financing Corporation and the Eastern Regional Integrated Health Authority). These activities include setting investment policy, investment of funds and the monitoring of such. These funds are invested in accordance with the *Financial Administration Act*, primarily in bonds, debentures or other securities issued or guaranteed by the Government of Canada, the government of a province of Canada, or a chartered bank, with the goal of earning the maximum return from investment of the portfolio while ensuring security of the funds.

3.0 Primary Clients and Stakeholders

The Board's primary responsibility is to the bondholders of the Province's debt and to the taxpayers of the Province, in ensuring Provincial compliance with the terms and conditions of its debenture debt and prudent management of the Fund's assets for future application against the Province's outstanding debt.

4.0 Sources of Funding

For debenture issues which have sinking fund requirements, the Province makes the required sinking fund contributions to the Board of Trustees. In each of the years 2014-15, 2015-16 and 2016-17, these contributions will amount to approximately $45.5, $45.5 and $43 million, respectively, based upon debt outstanding at March 31, 2014. Sinking fund contributions are invested and the interest earnings, less an amount to cover administrative costs, are re-invested.

The Newfoundland and Labrador Government Sinking Fund's day-to-day activities are managed by employees of the Department of Finance and the Sinking Fund is invoiced quarterly by the Province for reimbursement of these expenses on a cost-recovery basis.

5.0 Priorities

The Newfoundland and Labrador Government Sinking Fund supports the Department of Finance in its responsibilities related to stewardship of public money and fiscal management by the investing of funds in accordance with parameters set out in the *Financial Administration Act*. The unpredictable nature of the investment market, together with the current low interest rate environment of today's financial markets, continues to challenge the Board of Trustees in its mandate to ensure that the investment strategy maximizes the rate of return earned on its investment portfolio, while at the same time, protects the security of the sinking funds.

The Board of Trustees is committed to fulfilling its mandated responsibilities. As such, it will provide annual reports detailing the activities it undertook during each preceding fiscal year (March 31, 2015, March 31, 2016 and March 31, 2017) in compliance with its mandate[i].

Objective: By March 31, 2015, 2016 and 2017, Board of Trustees will have continued with the prudent investment of the assets of the Fund.

Measure: Board's prudent investment of the Fund's assets

Indicators: The assets of the Fund prudently invested in accordance with the *Financial Administration Act* as evidenced by the completion of periodic reviews of reports to the Board.

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[i] It is noted that the entity opted not to develop a mission statement, a vision statement or values (consistent with Government Guidelines). The development of such components was determined to be inappropriate. Additionally, the entity considered the responsible Department's mission statement, vision statement, and values, but determined that it had no direct role to play at this time. Lines of business were also not developed; to do so would be repetitive of the entity's mandate.